

ADP

[2 6 MAY 1988

MEMORANDUM FOR: Chief, Management Staff, DA

FROM: John M. Ray
Director of Logistics

SUBJECT: IG Report on ADP Equipment Acquisition

REFERENCE: Memo for ExDir, from William F. Donnelly,
Inspector General, dtd 9 May 88, Same Subject

1. The reference memorandum describes the Agency's approach to the acquisition of the Automatic Data Processing Equipment (ADPE), particularly in the context of using Advanced Payment Plans (APP), lease to purchase, and lease arrangements. The report dwells on the use of APP's. One point not made is that APP's are proprietary to IBM. No other firm has offered us this type of arrangement. This is important in the context of the report's Recommendation No. 1C that APP's be employed for ADP acquisitions exceeding \$1 million. I suggest the recommendation be revised to indicate "some form of purchase or lease-to-purchase arrangement should be made based on the lowest overall systems life cost, price and other factors considered."

25X1 2. Concerning Recommendation No. 1, I believe that the Director
of Information Technology (OIT) is the Agency's principal ADP
manager. Indeed [] provides that all significant ADP
25X1 acquisitions must be coordinated with OIT. I agree that there is a
need to update the Agency's ADP policies. I understand that a
revision of [] has been in coordination for several months.

3. I do not think it wise to dictate that all acquisitions with a life-cycle cost of less than \$1 million must be made by outright purchase (Recommendation 1B). I certainly agree that purchase is the preferred method for acquisition, but I believe the acquisition strategy is best left with the operating component and the contracting official. This should also be the case for Recommendation 1D. What is at issue in both recommendations, is a need to conduct an objective cost benefit analysis before entering into a contractual relationship. There are often salient facts present, e.g., period of expected use of the ADP, contractor requirements, that will force an acquisition strategy that is not based on lowest system life cost. I believe that we have sufficient

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procedural and management review processes in being to ensure that any lease or lease-to-purchase arrangement is fully justified. The recommendations would add another level of bureaucracy.

25X1 4. Concerning Recommendation 1E, [] requires that OIT maintain an agency-wide inventory of ADP. If one needs an inventory of leases, it can be easily acquired from the Contract Information System. I agree that there should be an annual review of all lease-type contracts to determine economic viability. I believe this should be the responsibility of the operating component and the contracting official.

5. I offer no opinion on Recommendation 2 since this appears to be a matter for the Comptroller and the Executive Director.

6. In summary, I do not believe we need another layer of bureaucracy in the acquisition process. Our contracting officers are responsible for ensuring that lease and lease-to-purchase acquisitions are employed only when justified. The Agency Contract Review Board provides a management review for all acquisitions in excess of \$500,000, and our Procurement Management Review process provides excellent insight into our contracting teams' operations. For these reasons, I suggest accepting only Recommendation 1B. I disfavor the recommendations which restrict the use of contract types based on dollar amounts.

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John M. Ray

25X1 O-D/L: [] (26 May 88)

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